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United States Department of the Interior

BUREAU OF RECLAMATION Washington, D.C. 20240

IN REPLYREFER TO:

D-5200

JUL 7 1999

MEMORANDUM

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To:

Regional Director, PN, MP, LC, UC, GP

Attention: PN-1000, MP-100, LC-1000, UC-100, GP-1000

From:

Commissioner

Subject:

Ability-to-Pay Policy

This memo affirms the ability-to-pay policy, and provides guidance on implementation, as put forth in the memorandum dated March 25, 1994, which stated that Reclamation would do ability-to-pay reviews on a 5-year basis. The March 25, 1994 memorandum was in response to the Office of Inspector General Audit "Repayment of Irrigation Investments by Water Districts: 93-I468", issued February 8, 1993. The audit included a recommendation that Reclamation should provide for the periodic reexamination of ability to pay computations and that the resulting adjustments would be incorporated into water service and repayment rates in all new contracts and in all existing contracts when they are renewed or amended.

Regional Directors are authorized to amend contracts to include a provision for reexamination every 5 years. We are now at the point where such a provision must be incorporated in numerous contract activities, and we are providing the following guidance to assist you in implementation.

Periodic reviews will occur every 5 years. A full ability-to-pay study will be performed every 10 years. Reviews at the 5-year interval will be based on economic indicators. Further information will follow regarding these indicators. Based on past experience, Reclamation's staff costs and other study costs associated with the 5-year reviews, up to approximately \$10,000, are generally administrative costs unrelated to specific contracting actions, and thus they shall be considered nonreimbursable by the contracting entities for up to \$10,000. Likewise, for all full reviews, occurring at 10-year intervals or if required at the 5-year interval, past experience suggests that 50 percent of costs are generally administrative costs and will thus be nonreimbursable. Regional Directors have the responsibility to plan and budget for these reviews. Costs for the initial determination of ability-to-pay and other such determinations related to specific new, amended, or renewed contract actions will remain fully reimbursable.

Classification
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